08 SEP 1971

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Proposed 5% Reduction in FY 1972 Ceiling

REFERENCES : A. My Memorandum dated 13 May 1971, Subject: Proposed Office of Finance Staffing Complement for FY 1972

B. My Memorandum dated 18 January 1971, Subject: OMB Reduction in FY 1972 Budget

1. This responds to your verbal request of 2 September 1971 that we identify eleven (11) additional positions for possible reduction in the current fiscal year.

2. Attached as Tab A is the requested list of eleven (11) positions, shown in order of priority for reduction (in the event that less than the number indicated are selected for reduction), with a brief statement of the impact of such reductions on the ability of the Office to meet its finance support responsibilities. The positions listed in Tab A are consistent with those reflected in our proposed FY 1972 Staffing Complement submitted with my memorandum of 13 May 1971 (Reference A). In developing our proposed FY 1972 Staffing Complement, careful attention was given to minimizing both organizational and staffing "layering." In addition to the reduction of six (6) positions in the Office ceiling, several changes were proposed to reduce supervisory overhead and to streamline support activities (e.g., the former Industrial Contract Audit Division and the Proprietary Systems and Accounts Division were consolidated into the Commercial Systems and Audit Division, the three branches in the Certification and Liaison Division were consolidated into two branches, and the formal organizational sections in the Compensation and Tax Division were eliminated). This reorganization resulted in the elimination of one Deputy Director position for the Office of Finance, one Division Chief, and four Deputies at the Division and Branch level. These actions are not reflected in this paper because we used the proposed organization as the basis for the current exercise. We do not feel we can go further toward elimination of "layering" or organizational adjustments at this time.

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3. Since our basic mission is one of general support, we have no identifiable programs as such which can be considered for elimination to accommodate to a directed reduction in ceiling positions. As a result, the positions identified for reduction in Tab A are fragmented, would require substantially increased efforts to absorb the existing workload involved, and in some instances would reduce flexibility in coverage of our functions below what I consider to be the minimum desirable level. Further, the reductions in the Accounts and in the Compensation and Tax Divisions are predicated on the assumption that new or modified procedures now being considered will be approved and fully implemented with concomitant savings in manpower.

4. My memorandum of 18 January 1971 (Reference B) discussed in general terms the impact of ceiling reductions on this Office. I believe it is pertinent to re-emphasize here some of the considerations applicable to our situation. As you know, our staffing requirements are not generated by workloads or activities which originate within or are controllable by the Office of Finance. As with most support activities, we respond to the finance support requirements generated by the actions of other Agency components. We cannot reduce or eliminate workload or personnel staffing attributed to such activities and operations as payroll, travel vouchers, vendor billings, operational accountings, industrial audits, monetary procurement, etc. We are not priviledged to decide that such activities or operations are of low priority and thus do not justify the continued allocation of adequate personnel resources in the face of imposed ceiling reductions. We cannot unilaterally curtail or eliminate finance activities which are required to support the various operations of the Agency. Even when substantial personnel reductions are made in other components, the immediate effect on our workload is minimal (and in some instances actually increases over the short term) and any real reduction in workload, which would permit downward adjustments in our personnel staffing, always lags by many months.

5. In addition to the immediate effect of a further ceiling reduction on the ability of the Office of Finance to meet its support obligations and responsibilities, the impact on the SF Career Service will be equally (if not more) crucial and undoubtedly will require that a number of staff

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personnel be declared surplus. Over the past three years our experience has indicated that for each ceiling position lost in the Office of Finance, two additional SF ceiling positions are lost through reductions in other Agency components. Thus, with the loss of up to eleven (11) additional positions for FY 1972, we can expect to lose some twenty (20) positions in other components encumbered by SF personnel for which assignment responsibility rests with the SF Career Service. Therefore, assuming the current ceiling reduction action runs true to form, we can expect to have some thirty (30) additional SF Careerists in excess of our authorized SF ceiling positions for the current year. These, combined with our currently projected year-end surplus of some sixteen (16) persons in the Office of Finance proper indicates clearly that a substantial surplus situation will exist in the SF Career Service. Since our normal attrition will not eliminate a surplus of this magnitude, and unless a substantial number of our careerists can be absorbed elsewhere in the Support Directorate (or in other Directorates), I see no alternative to initiating formal separation action against a large number of SF personnel if our surplus is to be eliminated. *

[redacted]

L. E. BUSH
Director of Finance

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Attachment:
Tab A

* taken from attrition report prepared for D/EXX as of 8/20/71

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